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30 January 1976

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Proposed Reorganization of the
National Intelligence Structure

1. Based on what was shown us by [] yesterday, I recommend you support this proposal in its entirety, providing your authority and independence in the substantive production field are confirmed. The scheme has a few weak points, but they are overshadowed by its strength. It incorporates, or is not inconsistent with, all of the twelve points you made to the President except (possibly) tactical intelligence. More detailed comments follow in paragraphs 3-9 below, and a diagram of the arrangement as I understand it is attached.

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2. Assuming the President takes this route, the next step will be to ensure that the fine print of the Executive Order fully reflects his intent and your interests. This will require most careful staffing. Equally important, you should insist on the freest possible hand in developing the substructure for the FIC.

3. The 40 Committee. In the current atmosphere this is a sensible arrangement and indeed may be a necessity. There used to be a good argument that the President should be in some way insulated from the process so that he could disclaim responsibility, but that day is clearly gone.

4. Oversight Committee. This too is a sensible measure, especially since it avoids placing this responsibility either on PFIAB or NSCIC. If it were not a political necessity, however, I would argue that we run a danger of too much oversight.

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5. The "Advisors". This is probably the weakest element of the proposal. The purpose is obviously to keep the FIC small and therefore workable, but a price is paid. NSCIC was supposed to provide consumer review. It didn't work because the chairmanship and the initiative were in the hands of policy officers for whom this is not usually a matter of immediate concern. The responsibility is now put on the principals, who are even less likely to gather regularly for this purpose. In the real world, however, NSCIC's inactivity has been no great loss. In our experience the only way to find out what consumers really want is to be aggressive about it, to maintain close day-to-day contact on substantive matters. You might also want some sort of working group under the FIC.

6. Membership of the FIC. The major difference between this proposal and Mr. Colby's is the substitution of the Deputy Assistant for National Security Affairs for the Deputy Secretary of State. This is apparently a sop to Defense, which didn't want State playing in a game where it had no chips. The effect, however, is to strengthen the national interest against the departmental, and this of course works to your advantage. There is also a cost. The original proposal put State in the intelligence corral; the DCI has major interests--Foreign Service reporting, cover, technical collection bases overseas--for which he needs to do business with State at the policy level. There is perhaps still a way to accomplish this. You as Chairman of FIC should be able to invite anyone you need to sit in ad hoc. A State "observer" at the policy level could be used for this purpose.

7. The Defense Position. The great strength of the proposal is that, through the device of what might be called collective management, it gives the DCI for the first time clear lines of authority commensurate with his responsibilities. For him to have more say over Defense-managed programs, however, means that DoD will have less. This will of course be the sticking point. Mike suggested that at least some in DoD were still pushing OMB/NSC Option III (See diagram attached). This is clearly unacceptable in either version. The

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following are some points you might want to make if Defense objections are raised:

- Defense as well as the DCI stands to gain from coherent centralized management across programs and from a reduction in DoD-CIA friction.
- State has, as noted above, been taken out of the FIC.
- Defense gains a voice it has not previously had over the CIA program.
- Both Select Committees have been surprised and concerned by their discovery that the DCI is considerably less than master in his own house. The House Committee draft recommendations, while muddily worded, clearly show an intent to strengthen the DCI in the resource field. Several Senators and their staff officers, in speeches and discussions with us, have indicated similar plans. In other words, if the Executive does not want to move in this direction it may be forced actively to oppose a Congressional initiative.
- There is in fact a pressing need for the Executive to set its intelligence budget house in order if it is to cope with a more aggressive Congressional attitude. The last year's experience with House Appropriations has demonstrated the need for unified Executive positions.
- As to Option III, the DCI needs an institutional base if he is to survive in the bureaucracy. This applies of course to intelligence production and to clandestine operations; together they make him an essential player in all aspects of NSC activities. But Defense has been looking hungrily at the R and D and program management elements of DDS&T. These are equally essential to the DCI, because they enable him to exploit advanced technology primarily for intelligence pay-off; obviously in DoD this has to be secondary to warfighting. They are an instrument by which he can force the much larger Defense program to take account of intelligence needs.

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8. Intelligence Production. Your view of your responsibilities in this field is absolutely right, and Duval assured us was incorporated fully in the proposal. If it turns out not to be clearly stated, or if it is challenged, here again are some points:

- If anything was clearly the intent of Congress in 1947, it was the desire to have a single, independent senior intelligence officer to "correlate and evaluate" intelligence.
- There is no indication that the present Congress feels differently. In fact, we have had plentiful indications, not only from the Select Committees but from the standing oversight Committees, that they would take an exceedingly dim view of a reduction of your authority in this area.
- It would be most improper for policy officers, such as the other members of the FIC, to have a hand in intelligence judgments. (It is entirely proper, however, and most desirable for these to have responsibility for and authority over intelligence policy and resources. This distinction was clearly made in Mr. Colby's proposal and should be maintained).
- Although it is not explicit in the proposal, you would envisage an interagency body, advisory to you, with responsibilities in the estimates field comparable to those now exercised by USIB. The right of dissent would of course be maintained.

9. Problems not addressed. There are at least three important issues in the general discussion of intelligence organization that are probably not addressed in the President's package, but that may well come up.

a. The DDO and covert action. This is not an issue within the Executive, but there are strong feelings in the Senate Select Committee that the DDO should be moved out of CIA. Interestingly, this is looked on as part of a package; it is argued that the only politically acceptable way to give the DCI stronger powers over the Community is to relieve him of the

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DDO "albatross" around his neck. The albatross is of course covert action. The Committee is convinced there must be such a capability, and realizes it can't be separated from clandestine collection. Ergo, move the whole thing. We believe, however, the Committee will come to realize there is no practical place to move it to, and that it would be much more difficult to control and oversee out from under the DCI's wing.

b. The NIO's and National Estimates. The present arrangements have been challenged by the Senate Select Committee. The Committee professes to believe the abolition of the Board of National Estimates was an effort by President Nixon and Henry Kissinger to force us to turn out more palatable estimates. Whatever the wisdom of the move, there was no such motivation. The estimates issue has not been raised in the Executive, but, as you are aware, there are mixed feelings about it. I would suggest that you punt if this problem is raised today: you need time to figure out a system that suits your own requirements. (But you may have to face it with SSC in a few weeks.)

c. Consolidation of all SIGINT in NSA and all clandestine collection in CIA. This is a superficially attractive idea for tidying up the structure that was raised in the NSC/OMB Study. In fact it is an exceedingly complicated matter and should in no case be lightly undertaken. Bill Colby strongly opposed it. I recommend you do the same.

10. In addition to the diagrams, I have attached Colby's original proposal, an OMB/NSC critique of it, and our critique of their critique.

RICHARD LEHMAN

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